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**FISCAL IMPACT STATEMENT**

**LS 6804**

**BILL NUMBER:** HB 1193

**NOTE PREPARED:** Dec 31, 2011

**BILL AMENDED:**

**SUBJECT:** Charitable organization property tax exemptions.

**FIRST AUTHOR:** Rep. Smith M

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**     **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill indicates that tangible property owned by an organization that is exclusively organized and operated for a purpose described in Section 501(c)(3) of the Internal Revenue Code is eligible for a property tax exemption if the organization is exempt from federal income taxation under Section 501 of the Internal Revenue Code and exclusively uses and occupies the property for the purposes and objectives of the organization.

**Effective Date:** March 1, 2012 (retroactive).

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, property is exempt from taxation if it owned and used for educational, literary, scientific, religious, or charitable purposes, or if it is owned by one of several entities specifically listed as being exempt in statute.

Beginning with taxes payable in 2013, this bill would provide a property tax exemption for property owned by any 501(c)(3) exempt entity as long the property is occupied only by the entity and it used only for the entity's purposes.

For taxes payable in 2011, property tax exemptions totaled \$22 B in assessed value (AV), or 4.9% of total gross AV. Approximately 73,000 real property parcels, or about 2% of all parcels were totally or partially exempt. After eliminating exact matches of property owners names, there are about 31,700 unique property owners of the 73,000 parcels. Some owners of multiple parcels were not detected because their names on parcel records in the county auditors' files were not a perfect match. Some single parcels owners may have been eliminated from the count because the owners with similar names may appear to be the same as another entity in the parcel records.

The IRS lists 17,000 charitable organizations with Indiana addresses in Publication 78. In all, there are 834,000 organizations listed nationally. According to the IRS, the Publication 78 listing is based on information received in applications seeking a 501(c)(3) exemption. Churches, auxiliaries, conventions or associations of churches, and public charities with annual gross receipts under \$5,000 are treated as tax-exempt without filing an application. There are also many group exemptions that cover individual entities that are not listed in Publication 78.

Since there is no complete list of 501(c)(3) exempt organizations, no comparison can be made to the list of property owners to determine if property that is not currently exempt would be exempt under this bill.

The bill would allow exemptions for property not already exempt. The amount of additional exemptions is not known. Additional exemptions would reduce the tax base resulting in an increase in property tax rates. The additional rates would cause a tax shift from the newly exempt property to all other taxpayers. In addition, the increased tax rates would cause circuit breaker credits to rise. Property tax collections for local civil taxing units and school corporations would decline.

**State Agencies Affected:**

**Local Agencies Affected:** County auditors; Civil taxing units and school corporations.

**Information Sources:** LSA Property Tax Database. Internal Revenue Service, Publication 78, <http://www.irs.gov/app/pub-78/>.

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